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**Statement from San José Mayor Chuck Reed
Regarding the Civil Grand Jury Report
“An Analysis of Pension and Other Post Employment Benefits”**

San José, Calif. – The 2011-2012 Santa Clara County Civil Grand Jury today released a 35-page report titled *An Analysis of Pension and Other Post Employment Benefits* that says, “(U)ntil significant modifications are enacted, there is no doubt that the escalating cost of providing Benefits at the current level is interfering with the delivery of essential City services and the ultimate cost to the taxpayers is an unbearable burden.”

The Grand Jury looked at 2010 pension data from the City of San Jose’s pension systems and from the individual plans offered by the other cities and Santa Clara County through the California Public Employee Retirement System (CalPERS). The Grand Jury compared annual costs for employee pensions and retiree healthcare benefits, the earnings assumptions made by pension funds, the unfunded liabilities for future retirement and healthcare benefits, and the history of benefit increases in each jurisdiction.

With respect to San José’s future costs, the Grand Jury stated that (absent reform), “Pension experts the Grand Jury interviewed stated that other actuarial assumption changes, within reason and easily justified, would result in ARC [annual required contribution] costs even higher than \$650M per year. The Grand Jury understands that exploring these actuarial assumptions is justified. They help bring attention to the severity of the Benefits crisis and abate the trend of pushing financial problems to future generations of taxpayers.”

The full report is online here:

http://www.sccscourt.org/court_divisions/civil/cgi/2012/pension.pdf.

Mayor Chuck Reed released the following statement in response to the Grand Jury report:

I want to thank the Civil Grand Jury for thoroughly exploring the impact that rising costs for pensions and retiree healthcare will have on local services like police, fire, libraries, and community centers. The Grand Jury is correct: Significant change is needed, and without reform, retirement costs will continue to rise.

It’s clear that while most of the attention has focused on San José and our fiscal challenges, we are not alone in this. Our neighboring cities have seen dramatic increases in cost and unfunded liabilities, and together we are short nearly \$7 billion

for benefits already earned and accrued by employees working for Santa Clara County and its cities.

I want to thank the voters of San José who approved Measure B earlier this month and thank my colleagues on the City Council who yesterday enacted a new second tier pension plan for new civilian employees and a new lower-cost healthcare option for retirees. In the last two years, eight Santa Clara County cities also have put in place new, more sustainable pension plans for new hires. These reforms are critical to gaining control of long-term cost increases and restoring vital services.

I encourage my fellow Mayors, Councilmembers, and members of the Board of Supervisors to take this report seriously and to avoid the temptation to kick the can down the road, further saddling our children and grandchildren with debts they will not be able to afford.